

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 8130**

**BILL NUMBER: HB 1814**

**DATE PREPARED:** Jan 20, 1999

**BILL AMENDED:**

**SUBJECT:** Property Tax Levy Appeal for Transfer Tuition.

**FISCAL ANALYST:** David Hoppmann

**PHONE NUMBER:** 232-9559

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill would require that the State Board of Tax Commissioners (the Board) allow Union Township Schools (Union Township), in Fulton County, to increase its school General Fund maximum property tax levy in CY 2000, CY 2001, and CY 2002. The allowed increases would equal the amount that the school corporation will pay as additional transfer tuition support on behalf of the school corporation's students in the 1999-2000 and 2000-2001 school years.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** This bill would require the Board to allow Union Township to increase its school General Fund property tax levy in CY 2000, CY 2001, and CY 2002. The Board would not realize undue administrative cost or time in fulfilling the requirements of this bill.

The State's expense for property tax replacement credits (PTRC) would be increased under this bill by \$190,000. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the State General Fund. Any additional PTRC expenditures would ultimately come from the State General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Under current Indiana law, a school corporation's General Fund property tax rate is controlled by the school General Fund property tax levy limitation component of the state tuition support funding formula (the funding formula). The funding formula currently allows a school corporation to levy a General Fund property tax rate at a maximum increase of \$0.15 from the previous year's tax rate, and allows a maximum decrease of \$0.25 from the previous years tax rate (funding formula tax rates are adjusted by property tax assessment adjustment factors calculated by the Board).

**UNION TOWNSHIP SCHOOLS**

Currently, Union Township does not operate its own facilities, and transfers all of its 258 students (1999 average daily membership) to the following three neighboring school corporations: 1) Rochester Community School Corporation; 2) Caston School Corporation; and 3) Eastern Pulaski Community School Corporation. Union Township is currently adopting a resolution under which it will cease to exist on July 1, 2001, when all of its territory will be annexed by the three school corporations listed above.

For CY 1999, Union Township is projected to receive approximately \$1.2 M in total State and local funding. Approximately 1/3 of this amount (\$371,000) will be generated by Union Township's school General Fund tax rate of approximately \$2.83 per \$100 of its projected CY 1999 assessed valuation (\$13,103,710). Under contractual agreement with its three receiving school corporations, Union Township currently transfers all of its total State and local funding to all three school corporations.

In addition, Union Township currently files a school General Fund levy appeal each year for the difference between the total State and local funding it receives and the total amount in transfer tuition support it owes to its receiving school corporations. Under contractual agreement with the three school corporations, Union Township pays the additional transfer tuition support in the year following the General Fund property tax levy appeal due to the fact that appeal funds do not become available until the following year.

This bill would require the Board to allow Union Township to increase its school General Fund property tax levy in CY 2000, CY 2001, and CY 2002 in excess of the levy amount generated by the maximum General Fund tax rate provided via the funding formula (after adjustment by the property tax assessment adjustment factor). The allowed increases would equal the amount that the school corporation will pay as additional transfer tuition support on behalf of the school corporation's students in the 1999-2000 and 2000-2001 school years.

#### TRANSFER TUITION SUPPORT

If for the 1999-2000 and 2000-2001 school years, Union Township experiences a student population similar to its 1999 average daily membership of 258 students, and the funding formula remains relatively unchanged, it will transfer to its three receiving school corporations a total of approximately \$2.4 million in total State and local funding for both the 1999-2000 and 2000-2001 school years. Of this amount, approximately 1/3 (\$742,000) would be generated by Union Township's CY 2000 and CY 2001 school General Fund tax rates.

#### ADDITIONAL TRANSFER TUITION SUPPORT

For CY 1998 (in order to pay for additional transfer tuition support for school year 1996-1997) Union Township filed a school General Fund levy of approximately \$475,000 at a school General Fund tax rate of approximately \$3.66 per \$100 of its CY 1998 assessed valuation (\$12,964,010).

Absent this bill (for CY 1999 and CY 2000), Union Township will likely file school General Fund levy appeals for the difference between its total State and local funding and the total amount in transfer tuition support it owes to its three receiving school corporations for both the 1997-98 and 1998-99 school years.

Beginning with CY 2000 until CY 2002, this bill would allow Union Township to file school General Fund levy appeals to cover its estimated current school year additional transfer tuition payments in addition to its prior school year additional transfer tuition payments allowed under current law (an additional school General Fund levy in CY 2002 would only be necessary if Union Township's 2001 school year estimates are not accurate).

Assuming that Union Township's current school year estimates are accurate, and based upon Union Township's CY 1998 school General Fund levy appeal of \$475,000, Union Township could levy an additional \$950,000 (in total) for CY 2000 and CY 2001 in order to cover its additional transfer tuition payment for the 1999-2000 and 2000-2001 school years.

For CY 2000, based on Union Township's projected 2000 assessed valuation (\$13,244,915), an additional tax rate of approximately \$3.59 could be levied in accordance with this bill (this rate would be in addition to Union Township's normal school General Fund tax rate, and its school General Fund tax rate appeal (under current law) to pay for prior school year additional transfer tuition support).

For CY 2001, based on Union Township's projected 2001 assessed valuation (\$13,387,642), an additional tax rate of approximately \$3.55 could be levied in accordance with this bill (this rate would be in addition to Union Township's normal school General Fund tax rate). Because this bill speeds up the additional levy for transfer tuition, Union Township would have no need to levy a tax rate above the \$3.55 for transfer tuition as it would under current law. The only additional tax rate for which Union Township could appeal would be to cover the difference in its prior school year transfer tuition estimate and the actual amount due.

This bill effectively increases the tax rate by \$3.59 in CY 2000 to pay for current and prior school year transfer tuition. The tax rate would return to more of a normal level in CY 2001 when only current transfer tuition is being paid.

Beginning in CY 2001, taxpayers in Union Township would start paying property taxes in the three school corporations after Union Township's territory has been annexed.

This bill would allow the Union Township Trustee to take any action necessary to finalize affairs relating to the provisions of this bill, and to the annexation of its school corporation including the distribution of remaining State and local funds to the three receiving school corporations.

**Explanation of Local Revenues:** Rochester Community School Corporation, Caston School Corporation, and Eastern Pulaski Community School Corporation would be able to count Union Township's students in their average daily membership counts in September of 2001. These school corporations would start collecting monies generated by the funding formula beginning in January of 2002.

An increase in Union Township's school General Fund levy could also cause an increase its share of County Adjusted Gross Income Tax (CAGIT), Auto Excise Tax (AET), and Financial Institutions Tax (FIT) revenues. These taxes are distributed to local units based on each unit's share of the total of all levies in the county. An increase in these revenues for Union Township would come at the expense of other units in Fulton County (currently, Fulton County does not adopt COIT).

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** Union Township Schools and Union Township Trustee's Office; Rochester Community School Corporation, Caston School Corporation, and Eastern Pulaski Community School Corporation.

**Information Sources:** Patty Bond, Department of Education, (317) 232-0840; DOE SAS Data Sets.